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EFFECTS OF OASDI BENEFIT INCREASE, JUNE 1980*

Social security checks sent the first week of July 1980 reflected the sixth automatic cost-of-living increase in cash benefits under legislation enacted in 1972 and 1973. The 14.3-percent increase, effective for June, applied to all persons receiving social security benefits at the end of May.

Increases are automatic whenever the Consumer Price Index (CPI) of the Bureau of Labor Statistics for the first calendar quarter of a year exceeds the CPI for the base quarter by at least 3 percent. The base is either the first calendar quarter of the preceding year or the quarter in which an increase was legislated by Congress. This year the base quarter was the first quarter of 1979. The actual percentage rise of the CPI during the quarters measured determines the size of the benefit increase.

Benefit Amounts

Table 1 shows the monthly benefit amounts payable at the end of May 1980 both before and after the 14.3-percent increase. The new rates resulted in an increase of $1.3 billion per month for the 35.3 million persons receiving benefits at that time.

As a result of the benefit increase, average monthly benefits payable to retired workers were $376.08 for men (up $47.11) and $294.23 for women (up $36.87). Average amounts for disabled workers were $405.21 for men and $296.00 for women—up $51.01 and $37.22, respectively. Average increases for entitled dependents of these workers ranged from $14.12 for children of disabled workers to $21.34 for spouses of retired workers. Among survivors, average benefit increases were highest for nondisabled widows and widowers ($38.77) and lowest for disabled widows and widowers ($25.79), resulting in average benefits of $309.42 and $205.69, respectively.

Social security benefits are based on a worker's primary insurance amount (PIA). The full PIA is payable to a retired worker who becomes entitled to benefits at age 65 and to an entitled disabled worker at any age. Retired workers can receive benefits as early as age 62, but the benefit is actuarially reduced by 5/9 of 1 percent for each month of entitlement before age 65. The full PIA is also payable to a widow or widower who becomes entitled to these benefits at age 65, provided that the deceased spouse did not receive reduced benefits. Other survivors of deceased workers and spouses and children of retired or disabled workers receive set proportions of the PIA, subject to a family maximum amount.

The PIA is based on an individual's covered earnings averaged over his or her working lifetime. For a worker who reached aged 62, became disabled, or died before 1979, the PIA is generally based on the worker's average monthly earnings (AME), which

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are the actual taxable earnings reported by employers or self-employed individuals. If in 1979 or later, the PIA is generally based on the worker's average indexed monthly earnings (AIME). Earnings from 1951 up to the second year before the year the worker reaches age 62, becomes disabled, or dies are indexed to reflect increases in average wages since the earnings were paid.

The AIME method of computing the PIA resulted from the 1977 amendments to the Social Security Act. To protect workers nearing retirement when the new method was implemented, individuals who reach age 62 in 1979-83 are guaranteed retirement benefits no lower than the amount they would have received under the AME method as of December 1978. This guarantee does not apply to survivor or disability computations, except for survivors of workers who attained age 62 during this period and who died in or after the month in which age 62 was attained.[1]

Tables 2 and 3 show examples of monthly benefits effective June 1980 for various family groups at selected AME and AIME levels. The benefits shown for the highest AME's are usually impossible because current AME's are based in part on earnings in earlier years when the maximum creditable amounts were lower.[2] The highest PIA for June 1980 for a worker retiring at age 65 in that year was $653.80, based on an AME of $784.

Benefits Under Special Minimum Provision

The special minimum PIA, initiated in January 1973, is designed to help persons with many years of work in covered employment at low earnings. Unlike the regular PIA, the special minimum PIA is not related to a worker's average earnings but to the number of years in covered employment. The special minimum PIA was set at a range of $85-$170 in January 1973 and was raised to $90-$180 in March 1974. It remained at that level until January 1979 when, under a provision of the 1977 amendments, it was raised to a maximum of $230 a month. The amendments also provided that the special minimum PIA be subject to the same automatic cost-of-living increases as regular benefits. Effective June 1980, the highest special minimum PIA is $289 per month.

The special minimum PIA is used only when it is greater than an individual's regular PIA. Since the special minimum PIA remained constant from March 1974 through December 1978, and the regular PIA was increased several times during that period, the special minimum PIA gradually lost its advantage. Special minimum benefits were converted to regular benefits and the number of beneficiaries with the special minimum PIA dropped sharply with each benefit increase. By December 1978, only 12 persons were receiving benefits based on the special minimum PIA (table 5). But, as a result of the increase in the special minimum PIA authorized by the 1977 amendments, nearly 86,000 beneficiaries were receiving benefits based on the special minimum PIA as of the end of May 1979, and by the end of May 1980 the number had risen to close to 90,000. As a result of the June 1980 benefit increase the average special minimum PIA for these beneficiaries rose from $245.20 to $280.25, and remained advantageous for them all.

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[1]For a discussion of changes resulting from the 1977 amendments and information about computation methods, see John Snee and Mary Ross, "Social Security Amendments of 1977: Legislative History and Summary of Provisions," *Social Security Bulletin*, March 1978, pages 3-20, and Department of Health, Education, and Welfare, Social Security Administration, *Social Security Handbook*, July 1978, pages 109-145.

[2]Maximum creditable earnings for social security purposes were $3,000 in 1937-50, $3,600 in 1951-54, $4,200 in 1955-58, $4,800 in 1959-65, $6,600 in 1966-67, $7,800 in 1968-71, $9,000 in 1972, $10,800 in 1973, $13,200 in 1974, $14,100 in 1975, $15,300 in 1976, $16,500 in 1977, and $17,700 in 1978. The 1977 amendments provide that the maximum creditable amounts will increase to $22,900 in 1979, $25,900 in 1980, and $29,700 in 1981. After 1981, the maximum will be automatically adjusted to keep up with average wage levels.

TABLE 1.--Monthly cash benefits in current-payment status at end of May 1980 and under new rates effective June 1980 and average increase, by type of beneficiary and reduction status

Type of beneficiary and reduction status	Total number	Total benefit amount (in thousands)		Average benefit			
				Amount		Increase	
		Old rate	New rate	Old rate	New rate	Amount	Percent
All beneficiaries	35,280,833	$9,143,405	$10,454,334	---	---	---	14.3
Retired workers and dependents	22,721,105	6,167,452	7,050,806	---	---	---	14.3
Retired workers	19,083,911	5,644,285	6,452,699	$295.76	$338.12	$42.36	14.3
Men	10,233,509	3,366,527	3,848,617	328.97	376.08	47.11	14.3
Benefits actuarially reduced	5,645,845	1,701,025	1,944,738	301.29	344.45	43.16	14.3
Benefits not actuarially reduced 1/	4,587,664	1,665,502	1,903,879	363.04	415.00	51.96	14.3
Women	8,850,402	2,277,758	2,604,082	257.36	294.23	36.87	14.3
Benefits actuarially reduced	6,088,951	1,452,126	1,660,257	238.49	272.67	34.18	14.3
Benefits not actuarially reduced 1/	2,761,451	825,632	943,825	298.98	341.78	42.80	14.3
Wives and husbands	2,974,625	443,092	506,581	148.96	170.30	21.34	14.3
Benefits actuarially reduced	2,109,376	303,187	346,654	143.73	164.34	20.61	14.3
Benefits not actuarially reduced 1/	865,249	139,905	159,927	161.69	184.83	23.14	14.3
Children	662,569	80,075	91,526	120.86	138.14	17.28	14.3
Disabled workers and dependents	4,782,248	1,110,946	1,271,446	---	---	---	14.4
Disabled workers	2,868,380	926,894	1,060,341	323.14	369.67	46.53	14.4
Men	1,934,816	685,306	784,008	354.20	405.21	51.01	14.4
Women	933,564	241,588	276,333	258.78	296.00	37.22	14.4
Wives and husbands	470,080	45,193	51,849	96.14	110.30	14.16	14.7
Children	1,443,788	138,859	159,256	96.18	110.30	14.12	14.7
Survivors of deceased workers	7,675,515	1,855,701	2,121,448	---	---	---	14.3
Widows and widowers, nondisabled	4,216,303	1,141,129	1,304,608	270.65	309.42	38.77	14.3
Benefits actuarially reduced	2,272,786	589,673	674,181	259.51	296.63	37.12	14.3
Benefits not actuarially reduced 1/	1,943,517	551,456	630,427	283.74	324.37	40.63	14.3
Widows and widowers, disabled	128,289	23,079	26,388	179.90	205.69	25.79	14.3
Widowed mothers and fathers	560,881	118,009	134,903	210.40	240.52	30.12	14.3
Children	2,754,680	569,800	651,338	206.85	236.45	29.60	14.3
Parents	15,362	3,684	4,211	239.80	274.13	34.33	14.3
"Special age-72" beneficiaries	101,965	9,306	10,634	---	---	---	14.3
Primary	100,991	9,261	10,583	91.70	104.79	13.09	14.3
Wives	974	45	51	45.96	52.54	6.58	14.3

1/ Includes transitionally insured beneficiaries.

TABLE 2.--Examples of monthly cash benefit awards for selected beneficiary families with first eligibility in 1980, by average indexed monthly earnings, effective June 1980

Beneficiary family	Average indexed monthly earnings of insured worker											
	$135 or less 1/	$194	$400	$550	$750	$900	$1,171	$1,275	$1,375	$1,475	$1,908	$2,033
Disabled worker:												
Alone	$139.50	$199.60	$275.10	$329.90	$403.10	$457.90	$557.00	$574.90	$592.00	$609.20	$683.30	$704.80
Worker, spouse and 1 child 2/	209.20	299.40	412.60	551.50	750.50	832.50	974.80	1,006.00	1,036.10	1,066.00	1,195.90	1,233.50
Retired worker claiming benefits at age 62:												
Worker alone	111.60	159.70	220.10	264.00	322.50	366.40	445.60	460.00	473.60	487.40	546.70	563.90
Worker with spouse claiming benefits at:												
Age 65 or over	181.40	259.50	357.70	429.00	524.10	595.40	724.10	747.50	769.60	792.00	888.40	916.30
Age 62	164.00	234.60	323.30	387.80	473.70	538.20	654.50	675.60	695.60	715.90	803.00	828.20
Widow or widower claiming benefits at:												
Age 65 or over 3/	139.50	199.60	275.10	329.90	403.10	457.90	557.00	574.90	592.00	609.20	683.30	704.80
Age 60	99.80	142.80	196.70	235.90	288.30	327.40	398.30	411.10	423.30	435.60	488.60	504.00
Disabled widow or widower claiming benefits at age 50	69.80	99.80	137.60	165.00	201.60	229.00	278.50	287.50	296.00	304.60	341.70	352.40
1 surviving child	139.50 4/	149.70	206.40	247.50	302.40	343.50	417.80	431.20	444.00	456.90	512.50	528.60
Widow and widower aged 65 and over and 1 child	209.20	299.40	412.60	551.50	705.50	801.40	974.80	1,006.00	1,036.00	1,066.00	1,195.90	1,233.40
Widowed mother or father and 1 child	209.20	299.40	412.60	495.00	604.80	687.00	835.60	862.40	888.00	913.80	1,025.00	1,057.20
Widowed mother or father and 2 children	209.20	299.40	412.60	551.50	750.50	832.50	974.80	1,006.00	1,036.10	1,066.00	1,195.90	1,233.50
Maximum family benefits 2/	209.20	299.40	412.60	551.50	750.50	832.50	974.80	1,006.00	1,036.10	1,066.00	1,195.90	1,233.50

1/ Represents minimum PIA of $122.00 increased by 14.3 percent effective June 1980. Special rules govern the addition of cost-of-living increases to these cases; it is thus possible that some beneficiaries may not be eligible for this increase.

2/ The 1980 Amendments to the Social Security Act provide for different family maximum amounts for disability cases for those who become entitled to disability benefits beginning with July 1980. Generally, if the average indexed monthly earnings (AIME) is less than $213, the July maximum is equal to the PIA. If the AIME is between $213-$456, the family maximum is equal to 85 percent of the AIME, if the AIME is greater than $456, the maximum is equal to 150 percent of the PIA. The PIA is the amount that is shown as payable to a disabled worker alone.

3/ Widows or widower's benefit limited to amount spouse would have been receiving if still living but not less than 82½ percent of PIA.

4/ Sole survivor.

TABLE 3.--Examples of monthly cash benefit awards for selected beneficiary families, effective June 1980

Beneficiary family	Average monthly earnings of insured worker														
	$76 or less	$100	$200	$300	$400	$550	$650	$750	$900	$1,100	$1,275	$1,375	$1,475	$1,908	$2,158
Retired worker claiming benefits at age 65, or disabled worker:															
Worker alone	$153.10	$197.00	$279.50	$349.50	$422.20	$521.80	$598.60	$640.80	$695.20	$764.10	$818.40	$846.90	$873.60	$982.90	$1,040.10
Worker with spouse claiming benefits at--															
Age 65 or over	229.70	295.50	419.30	524.30	633.30	782.70	897.90	961.20	1,042.80	1,146.20	1,227.60	1,270.40	1,310.40	1,474.40	1,560.20
Age 62	210.60	270.90	384.40	480.60	580.60	717.50	823.10	881.10	955.90	1,050.70	1,125.30	1,164.60	1,201.20	1,351.60	1,456.20
Worker, spouse and 1 child	229.70	295.50	419.30	573.00	769.70	944.30	1,047.40	1,121.40	1,216.40	1,336.70	1,432.10	1,481.80	1,528.70	1,720.00	1,820.20
Retired worker claiming benefits at age 62:															
Worker alone	122.50	157.60	223.60	279.60	337.80	417.50	478.90	512.70	556.20	611.30	654.80	677.60	698.90	786.40	832.10
Worker with spouse claiming benefits at--															
Age 65 or over	199.10	256.10	363.40	454.40	548.90	678.40	778.20	833.10	903.80	993.40	1,064.00	1,101.10	1,135.70	1,277.90	1,352.20
Age 62	180.00	231.50	328.50	410.70	496.20	613.20	703.40	753.00	816.90	897.90	961.70	995.30	1,025.50	1,155.10	1,248.20
Widow or widower claiming benefits at--															
Age 65 or over 1/	153.10	197.00	279.50	349.50	422.20	521.80	598.60	640.80	695.20	764.10	818.40	846.90	873.60	982.90	1,040.10
Age 60	109.50	140.90	199.90	249.90	301.90	373.10	428.00	458.20	497.10	546.40	585.20	605.60	624.70	702.80	743.70
Disabled widow or widower claiming benefit at age 50	76.70	98.50	139.90	174.80	211.10	260.90	299.30	320.40	347.60	382.10	409.20	423.30	436.80	491.50	520.10
1 surviving child	153.10 2/	153.10 2/	209.70	262.20	316.70	391.40	449.00	480.60	521.40	573.10	613.80	635.20	655.20	737.20	780.10
Widow or widower age 65 and over and 1 child 1/	229.70	295.50	419.30	573.00	738.90	913.20	1,047.40	1,121.40	1,216.40	1,336.70	1,432.10	1,481.80	1,528.70	1,720.00	1,820.20
Widowed mother or father and 1 child	229.70	295.50	419.30	524.40	633.40	782.80	898.00	961.20	1,042.80	1,146.20	1,227.60	1,270.40	1,310.40	1,474.40	1,560.20
Widowed mother or father and 2 children	229.70	295.50	419.30	573.00	769.70	944.30	1,047.40	1,121.40	1,216.40	1,336.70	1,432.10	1,481.80	1,528.70	1,720.00	1,820.20
Maximum family benefits	229.70	295.50	419.30	573.00	769.70	944.30	1,047.40	1,121.40	1,216.40	1,336.70	1,432.10	1,481.80	1,528.70	1,720.00	1,820.20

1/ Widows or widower's benefit limited to amount spouse would have been receiving if still living but not less than 82½ percent of PIA.
2/ Sole survivor.

NOTE: The higher monthly earnings shown in column headings on the right are not, in general, possible now, since earnings in some of the earlier years--when the maximum amount creditable was lower--must be included in the average. The benefit amounts shown in these columns are thus not generally currently payable. (Effective June 1980, the highest average monthly earnings possible for a worker retiring at age 65 is $784.)

TABLE 4. --Minimum and maximum monthly retired-worker benefits payable to individuals who retired at age 65, 1940-80

Year of attainment of age 65 1/	Minimum benefit		Maximum benefit			
	Payment at the time of retirement	Payable effective June 1980	Payable at the time of retirement		Payable effective June 1980	
			Men 2/	Women	Men 2/	Women
1940.....	$10.00	$153.10	$41.20	---	$296.10	---
1941.....	10.00	153.10	41.60	---	296.10	---
1942.....	10.00	153.10	42.00	---	299.70	---
1943.....	10.00	153.10	42.40	---	299.70	---
1944.....	10.00	153.10	42.80	---	302.90	---
1945.....	10.00	153.10	43.20	---	302.90	---
1946.....	10.00	153.10	43.60	---	306.60	---
1947.....	10.00	153.10	44.00	---	309.50	---
1948.....	10.00	153.10	44.40	---	309.50	---
1949.....	10.00	153.10	44.80	---	312.50	---
1950.....	10.00	153.10	45.20	---	316.40	---
1951.....	20.00	153.10	68.50	---	316.40	---
1952.....	20.00	153.10	68.50	---	316.40	---
1953.....	25.00	153.10	85.00	---	349.50	---
1954.....	25.00	153.10	85.00	---	349.50	---
1955.....	30.00	153.10	98.50	---	349.50	---
1956.....	30.00	153.10	103.50	---	369.10	---
1957.....	30.00	153.10	108.50	---	385.90	---
1958.....	30.00	153.10	108.50	---	385.90	---
1959.....	33.00	153.10	116.00	---	385.90	---
1960.....	33.00	153.10	119.00	---	395.60	---
1961.....	33.00	153.10	120.00	---	398.70	---
1962.....	40.00	153.10	121.00	$123.00	402.30	$409.10
1963.....	40.00	153.10	122.00	125.00	405.70	415.30
1964.....	40.00	153.10	123.00	127.00	409.10	422.20
1965.....	44.00	153.10	131.70	135.90	409.10	422.20
1966.....	44.00	153.10	132.70	135.90	412.10	422.20
1967.....	44.00	153.10	135.90	140.00	422.20	434.70
1968.....	55.00 3/	153.10	156.00 3/	161.60 3/	428.60	443.80
1969.....	55.00	153.10	160.50	167.30	441.10	459.80
1970.....	64.00	153.10	189.80	196.40	453.40	469.30
1971.....	70.40	153.10	213.10	220.40	462.70	478.30
1972.....	70.40	153.10	216.10	224.70	469.30	487.80
1973.....	84.50	153.10	266.10	276.40	481.40	500.10
1974.....	84.50	153.10	274.60	284.90	496.70	515.40
1975.....	93.80	153.10	316.30	333.70	515.40	543.70
1976.....	101.40	153.10	364.00	378.80	548.90	571.30
1977.....	107.90	153.10	412.70	422.40	584.90	598.60
1978.....	114.30	153.10	459.80	459.80	615.20	615.20
1979.....	121.80	153.10	503.40	503.40	632.50	632.50
1980.....	133.90	153.10	572.00	572.00	653.80	653.80

1/ Assumes retirement at beginning of year.
2/ Represents benefit for both men and women until 1962.
3/ Effective for February 1968.

TABLE 5.--Beneficiaries with special minimum PIA, at end of specified month, 1973-80

Specified month	Number of beneficiaries	Average		
		Special minimum PIA	Regular PIA	Monthly amount
December 1973	204,392	$162.61	$154.78	$139.61
May 1974	217,475	170.37	165.73	148.10
June 1974	117,120	175.42	167.04	148.43
May 1975	125,175	175.52	167.21	146.16
June 1975	27,803	176.91	170.94	147.21
May 1976	29,444	176.88	170.76	146.85
June 1976	4,296	178.20	173.58	147.02
May 1977	4,090	178.17	173.51	152.53
June 1977	309	178.34	172.70	154.76
May 1978	378	178.36	173.48	155.25
June 1978	19	1/	1/	1/
December 1978	12	1/	1/	1/
March 1979	75,901	223.17	212.98	193.68
April 1979	81,269	223.18	212.99	193.69
May 1979	85,774	223.17	212.92	193.95
June 1979	85,749	245.47	234.02	213.22
May 1980	89,529	245.20	233.35	214.01
June 1980	89,529	280.25	264.78	244.68

1/ Data not available.

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